

## Message Text

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DRAFTED BY EB/CBA/BP:EJRANKIN:JS

APPROVED BY EB/CBA/BP:HJWINTER

TREAS: ATF:MR. MOORE

ARA/MEX:RFKING

EB/OT/STA:RWINSTANLEY

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R 211909Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: EIND, MX

SUBJECT: MEXICAN IMPORT QUOTA FOR BOURBON

1. WHEN CESAR LARRANAGA OF THE DIVISION GENERAL DE NORMAS WAS IN WASHINGTON ON JULY 24, 1973 FOR THE TEQUILA HEARING BEFORE THE ALCOHOL, TOBACCO AND FIREARMS DIVISION, HE MET WITH HARVEY WINTER (EB/CBA/BP). AMONG THE SUBJECTS DISCUSSED WAS AN INCREASE IN THE BOURBON IMPORT QUOTA. HE INDICATED THE WILLINGNESS OF HIS GOVERNMENT TO CONSIDER A REALISTIC AND REASONABLE INCREASE IN THE IMPORT QUOTA. WE AGREED TO ASK THE BOURBON INSTITUTE FOR THEIR BEST ESTIMATES OF SUCH INCREASES.

2. ON SEPTEMBER 14, 1973, LARRANAGA VISITED THE DEPARTMENT TO DISCUSS THE FORTHCOMING RECIPROCAL AGREEMENT ON BOURBON AND TEQUILA AND ALSO THE BOURBON IMPORT QUOTA PROBLEM.

3. LARRANAGA STATED POSITIVELY THAT BOURBON IMPORT QUOTA WOULD BE INCREASED SUBSTANTIALLY AND GENERALLY WOULD BE IN ACCORDANCE WITH THAT REQUESTED BY THE BOURBON INSTITUTE COMMENCING IN 1974. THE BOURBON INSTITUTE HAS SUGGESTED A

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QUOTA OF 40,000 CASES IN 1974, 45,000 CASES IN 1975 AND

50,000 CASES IN 1976.

4. THE BOURBON INSTITUTE HAD REQUESTED AN IMPORT ALLOCATION OF 20,000 CASES FOR THE REMAINDER OF 1973. LARRANAGA QUESTIONED THIS FIGURE WITH ONLY 3 MONTHS REMAINING IN THE YEAR. HE REQUESTED THE DEPARTMENT TO TAKE UP THIS POINT WITH THE BOURBON INSTITUTE WITH THE VIEW TO OBTAINING A MORE REALISTIC ESTIMATE OF SALES FOR THE REMAINDER OF 1973. THIS WAS DONE AND AN ESTIMATE OF SALES OF 10,000 CASES OF BOURBON DURING THE REMAINDER OF 1973 WAS MADE.

5. LARRANAGA STATED THAT THE GOM DOES NOT INTEND TO ASK FOR A LOWER US TARIFF ON TEQUILA IMPORTS. HE STATED THAT INsofar AS TARIFFS ARE CONCERNED THE GOM WOULD LIKE TO HAVE TEQUILA LISTED SEPARATELY IN THE US TARIFF SCHEDULE. IT IS NOW INCLUDED IN A BASKET CATEGORY OF "OTHER SPIRITS". THE TARIFF, IF LISTED SEPARATELY, WOULD REMAIN \$1.25 PER GALLON.

6. LARRANAGA EXPRESSED CONCERN REGARDING THE NEED TO ACHIEVE AN EQUITABLE SYSTEM FOR THE ALLOCATION OF BOURBON IMPORT QUOTAS AMONG US PRODUCERS. THE BOURBON INSTITUTE HAS EMPHATICALLY REJECTED THE IDEA OF QUOTA ALLOCATION ON THE BASIS OF COMPANIES OR BRAND NAMES, AS THE INSTITUTE BELIEVES THIS WOULD FREEZE SOME FIRMS OUT OF THE MARKET.

7. ONE SOLUTION, WHICH THE GOM MIGHT WISH TO CONSIDER, WOULD BE TO ALLOCATE QUOTAS ON A QUARTERLY BASIS. WITHIN THE QUARTERLY QUOTAS IMPORT LICENSES FOR SPECIFIC AMOUNTS COULD BE ISSUED TO PARTICULAR COMPANIES ON THE BASIS OF THE GOM'S JUDGEMENT OF WHAT MIGHT ACTUALLY BE SOLD IN THAT QUARTER. IF ANY IMPORT LICENSE WERE WAY OUT OF LINE, THEN APPROPRIATE ADJUSTMENTS COULD BE MADE IN THAT COMPANY'S IMPORT LICENSE FOR THE NEXT QUARTER.

8. LARRANAGA ASKED WHEN A FINAL DECISION ON THE GRANTING OF THE EXCLUSIVE DESIGNATION TO MEXICAN TEQUILA MIGHT BE REACHED BY THE TREASURY DEPARTMENT'S BUREAU OF ALCOHOL, TOBACCO AND FIREARMS (ATF). THE ATF HAS INDICATED THAT A FINAL DECISION MAY BE FORTHCOMING IN NOVEMBER, 1973.

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9. ACTION REQUESTED: IF NO OBJECTION IS PERCEIVED, THE EMBASSY IS REQUESTED TO CONTACT MR. LARRANAGA AND INFORM HIM: A) THAT THE BOURBON INSTITUTE HAS INDICATED THAT AN ESTIMATED 10,000 CASES OF BOURBON COULD BE SOLD IN MEXICO DURING THE REMAINDER OF 1973; AND REQUESTS THAT A QUOTA BE ALLOCATED FOR THAT AMOUNT, B) THAT THE DEPARTMENT IS ENDEAVORING TO ASCERTAIN WHAT PROCEDURES ARE NECESSARY TO HAVE

TEQUILA LISTED SEPARATELY IN THE US TARIFF SCHEDULE AND  
C) INFORM MR. LARRANAGA THAT ATF HAS GIVEN NOVEMBER AS AN  
ESTIMATE OF WHEN A FINAL DECISION MAY BE REACHED ON GRANTING  
THE EXCLUSIVE TEQUILA APPELATION. AND D) ENDEAVOR TO  
ASCERTAIN WHAT THE BASIS HAS BEEN FOR THE ALLOCATION OF  
BOURBON QUOTAS BY THE GOM AS WELL AS FOR THAT OF OTHER  
ALCOHOLIC BEVERAGES AND ADVISE THE DEPARTMENT ACCORDINGLY.  
ANY SUGGESTIONS THE EMBASSY MAY BE ABLE TO MAKE TO THE  
DEPARTMENT IN REGARD TO AN EQUITABLE FORMULA/MEANS OF BOUR-  
BON QUOTA ALLOCATIONS WOULD BE WELCOME. RUSH

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